Q1 2025 | Winter Edition

REGULATORY Update

SECURE 2.0 Changes Coming Online in 2025

Plan-year 2025 brings significant changes to retirement plans. As a plan sponsor, you should be working with your third-party administrators and recordkeepers to review elective changes and incorporate mandatory changes to plans that begin with the 2025 plan year, such as:

- Auto-enrollment/auto-escalation. Mandatory initial enrollment contribution rate of at least 3 percent (but not more than 10 percent) and 1 percent annual increases for new plans.
  - Exceptions exist for plans established before December 29, 2022, government and church employers, SIMPLE IRAs, businesses less than three years old, or employers with 10 or fewer employees.
- Ages 60–63 catch-up contribution limits increase. An optional provision affecting 401(k), 403(b), 457(b), and SIMPLE IRAs in which the catch-up contribution limit for employees ages 60–63 (at the end of the calendar year) increases. Please see the tables below for specifics.
- Long-term part-time work eligibility. Part-time employees working more than 500 hours for two consecutive years must be allowed to participate in the 401(k) or 403(b) plan.
- Ten-year rule for beneficiaries—require RMDs. Beginning January 1, 2025, non-spouse beneficiaries subject to the 10-year rule of the SECURE Act who inherited funds from someone already subject to RMDs must begin taking RMDs based on their own life expectancy during the 10-year period, with a full distribution in year 10.

The timeline for a few items, such as those listed below, was extended, but you should still be preparing for these changes:

- Requirement that 401(k) catch-up contributions be made as Roth contributions for those earning more than $145,000 was delayed until 2026.
- Deadline to amend plan documents for various changes in the SECURE, CARES, and Relief acts extended until December 31, 2026.

Start working with your plan administrators and recordkeepers on plan changes that require amendments to plan documents, administrative changes, and timely plan notices to participants to ensure that your plan remains in compliance.

Annual Review Meetings

As we roll into another year-end, your retirement plan advisors are setting up meetings to review your retirement plans to ensure that ERISA plan fiduciary responsibilities have been fulfilled. In this meeting, you can expect to review the following:

- Plan management roles and responsibilities
- Retirement Plan Consulting Agreement (RPCA) for your plan
- Fund lineup, including investment performance and investment policy statement (IPS)
- Legislative changes applicable to your plan/business
- Plan participation and deferral rates

Work with your advisor to document meeting minutes and next steps for your plan's fiduciary file to ensure ongoing compliance.

2025 Employee Deferral Limits

Starting in 2025, some employees are eligible for a "super" catch-up contribution based on their age at the end of the calendar year as shown below. For additional details on limits by plan type, please reach out to your financial advisor.

401(k), 403(b), and 457(b)[1] Plans	2024	2025
Elective deferral limit[2]	$23,000	$23,500
Catch-up contributions (based on age at the end of the calendar year)		
Individuals age 50–59 or older than 63	$7,500	$7,500
Individuals age 60–63	$7,500	$11,250

SIMPLE IRAs	2024	2025
Contribution limit for employers with 25 or fewer employees	$17,600	$17,600
Contribution limit for employers with 26 or more employees	$16,000	$16,500
Catch-up contributions (based on age at the end of the calendar year)		
Individuals age 50–59 or older than 63	$3,500	$3,500
Individuals age 60–63	$3,500	$5,250

[1] Catch-up contribution limits listed in this table apply only to governmental 457(b) plans that offer catch-up contributions.

[2] Employee deferrals to all 401(k) and 403(b) plans must be aggregated for purposes of this limit.

Plan Sponsor Calendar for Q1 2025

JANUARY

- Send payroll and employee census data to the plan's recordkeeper for plan year-end testing (calendar-year plans).
- Audit fourth-quarter payroll and plan deposit dates to ensure compliance with the U.S. Department of Labor's (DOL) rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between October 1 and December 31 received and returned an enrollment form; follow up on forms that were not returned.

FEBRUARY

- Update the plan's ERISA fidelity bond coverage to reflect the plan's assets as of December 31 (calendar-year plans); remember that if the plan holds employer stock, bond coverage is higher than for non-stock plans.
- Issue a reminder memo or email to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans by which they are covered.
- Review and revise the roster of all plan fiduciaries and confirm each individual's responsibilities and duties to the plan in writing; ensure that each fiduciary understands their obligations to the plan.
- Provide quarterly benefit/disclosure statement and statement of plan fees and expenses actually charged to individual plan accounts during the prior quarter, within 45 days of the end of last quarter.

MARCH

- Begin planning for the timely completion and submission of the plan's Form 5500 and, if required, a plan audit (calendar-year plans); consider, if appropriate, the DOL's small plan audit waiver requirements.
- Review all outstanding participant plan loans to determine if there are any delinquent payments; also, confirm that each loan's repayment period and the amount borrowed comply with legal limits.
- Check bulletin boards and display racks to make sure that posters and other plan materials are conspicuously posted and readily available to employees, and that information is complete and current.

APRIL

- If a plan audit is required in connection with Form 5500, arrange with an independent accountant/auditor for the audit to be completed before the Form 5500 due date (calendar-year plans).
- Audit first-quarter payroll and plan deposit dates to ensure compliance with the DOL's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between January 1 and March 31 received and returned an enrollment form. Follow up on forms that were not returned.

Consult your plan's financial, legal, or tax advisor regarding these and other items that may apply to your plan.

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